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AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

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Organisations referenced in this week's Field Notes include:	
Agrecovery	Massey University
Alliance Group	Ministry for Primarily Industries
Beef + Lamb New Zealand	Ministry of Business, Innovation and Employment
Boer Goat Breeders Association	Mountain River Venison
Comvita	New Zealand Cellar
DairyNZ	New Zealand Pork
Danon	NZ Honey
Delegat's Group	NZ Honey Products Co-operative
Elders Ltd	PGG Wrightson
Elders Rural Holdings	Silver Fern Farms
Fonterra Co-operative Group	Sutton Group
Gardians	Synlait Milk
Horticulture New Zealand	Tandou
IBISWorld	Wool Levy Group
JS Brooksbank	Xero
Kiwifruit Vine Health	Zespri

This week's headlines	
Honey	**Comvita buys Timaru-based NZ Honey** [22 May/ NZ Herald]
Wool	**Chance for unified wool lobby** [21 May/ Otago Daily Times]
Red meat	**Southland hopes Govt will act on meat industry** [22 May/ Radio New Zealand Rural]
Rural infrastructure	**Elders Ltd to sell its Rural Holdings stake** [23 May/ NZ Farmers Weekly]
Biosecurity	**Kiwifruit first in biosecurity partnership** [21 May/ Rural News Group]

Connecting agribusinesses with investors

The inaugural New Zealand Agribusiness Investment Showcase will take place on Wednesday 11 June, during Fieldays 2014. It is an opportunity for innovative agribusiness companies to present their investment proposition to a highly targeted group of investors. It is a pilot initiative led by New Zealand Trade and Enterprise, KPMG and ASB to support the growth and internationalisation of the New Zealand agribusiness sector. For further information please contact Amanda.Johnston@nzte.govt.nz

Horticulture

Single point entry wins support [21 May/ Bay of Plenty Times] The Kiwifruit Industry Strategy Project independent chairman, Neil Richard said that the project is on schedule to produce findings for a planned growers' referendum in November. He said that from the 400 responses in the initial round of submissions, there has been overwhelming support for the single point entry model, where Zespri maintains control of marketing most of New Zealand kiwifruit exports. While a small number of submissions favoured moving away from the model, others highlighted issues on specific aspects of the single point entry model. Mr Richardson said that some had issues around plant variety rights and wanted the system changed due to the value that could be achieved by obtaining a portion of the $1 billion export returns that kiwifruit delivers. He said that the industry is expected to grow to $3 billion per year within the next decade. According to the World Kiwifruit Review 2012, New Zealand grower returns averaged over 40 percent higher than Italy and over double that of Chile over the past decade. Mr Richardson highlighted the importance of creating maximum value at each stage, from the grower to the consumer, and said that the single entry point model was about maintaining the control in the hands of the country's stakeholders and especially growers. New Zealand Kiwifruit Growers Inc president, Neil Trebilco said that he believed that the overall support for the single point entry model has grown since the Psa outbreak.

Viticulture

Delegat's says 2014 harvest supports sales growth projections [23 May/ The National Business Review] According to its 2013 annual report projections, Delegat's Group expects to increase its wine sales volumes by 2 percent to 1.985 million cases in the year ending June 30, and further increasing 8.8 percent in 2015 and 8.9 percent in 2016. The 2014 vintage increased 18 percent to 34,123 tonnes, while its recently acquired Australian Barossa Valley Estate's first harvest amounted to 1,004 tonnes. The Group's Managing Director, Graeme Lord, said that it has inventories to achieve future sales growth in line with the guidance provided in the 2013 annual report. Delegat's is seeking to increase global sales to 3.07 million cases of wine in the next six years, establishing its Oyster Bay and Barossa Valley Estate varieties as super-premium brands, while targeting the North American market. In order to support the planned growth, the Group anticipates spending $132 million over three years, including the construction of a 10,000 tonne capacity winery in Hawke's Bay, as well as expanding its Marlborough winery and vineyard development. The Group plans to fund the investment through retained earnings and debt. The company shares last traded on May 23 at $4.00 and have increased 6.7 percent so far this year.

Online shop showcases NZ wines in UK [26 May/ NZ Herald] According to New Zealand Winegrowers, 47.6 million litres of wine valued at $278.45 million were sold in Britain last year, with online shop New Zealand Cellar founder, Melanie Brown saying that a large quantity of that was bulk wine that was bottled and rebranded in the UK. The online wine marketer, New Zealand Cellar, will showcase over 150 premium wines from 50 different wineries around New Zealand, focusing on smaller boutique wineries. Ms Brown aims to educate the UK public about the different brands and the differences between regions in New Zealand. The online shop, New Zealand Cellar is scheduled to be launched on June 30 at New Zealand House in London, with international wine writers expected to be amongst the attendees.

Honey

Comvita buys Timaru-based NZ Honey [22 May/ NZ Herald] Comvita has announced that it will to buy Timaru-based NZ Honey from NZ Honey Products Co-operative, in a cash ($7.3 million) and share ($5 million, issued at $3.50 per share) deal amounting to $12.3 million, Comvita shares which has seen a 12 percent decline this year, rose 8.8 percent ($0.28) to $3.48. The agreement is conditional on approval by a special resolution of shareholders of NZ Honey Producers Co-operative. Comvita, which specialises in producing manuka honey-based products, said that the acquisition consisted of land and honey processing assets in Timaru, honey inventory and a long term honey supply agreement with NZ Honey Producers Co-operative. NZ Honey, one of the largest New Zealand honey exporters, with total sales in 2013 of $27.3 million, produces and sells products under the Hollands Honey, 3 Bees and Sweet Meadows brands. Comvita CEO, Brett Hewlett said the acquisition would ease its supply constraints, as well as gaining production capacity and additional exposure in the South Island.

Comvita annual profit rises 3.3pc as honey price squeezes margin [23 May/ NZ Herald] Health product producer, Comvita reported an annual profit increase of 3.3 percent as the rising cost of honey squeezed margins, while highlighting that revenue and earnings would grow in 2015. Net profit increased to $7.6 million (24.37 cents per share) in the 12 months ended March 31, from $7.4 million (24.52 cents per share) the previous year. Earnings before interest, tax, depreciation and amortisation increased 11 percent to $16.4 million and revenue increased 11 percent to $115.3 million. Comvita said that margins were impacted by theNew Zealand dollar and rises in the cost of Manuka honey. The company acquired two apiary businesses during the year, and with its announcement of the NZ Honey acquisition on May 22, has met its target of controlling at least half its supply. Comvita said that it can now focus on expanding its product range placing more emphasis on marketing and contribution margins. Operational cash inflow increased to $8.5 million from $3 million, while bank debt declined to $28.8 million, from $29.4 million. The company continues to look for further acquisitions that fit its high end natural product brand. A final dividend of $0.08 per share payable on June 27 was declared by the board, increased the total return to $0.12, compared to the $0.13 in 2013.

Wool

Chance for unified wool lobby [21 May/ Otago Daily Times] The Wool Levy Group chairwoman, Sandra Faulkner said that a positive result for the wool levy referendum in October will enable the industry to fund a new industry body to undertake industry-good activities benefiting farmers. She said that the levy would equate to $4.6 million at $0.03 per kilogram for 154,000 tonnes of wool annually. She mentioned that the new body would represent all New Zealand wool producers, while providing a much needed voice for the sector. Mrs Faulkner said that although Merino New Zealand, Primary Wool Co-operative and Wools of New Zealand acted on behalf of their shareholders, approximately 50 percent of the wool growers were not represented by the three companies. The referendum is a result of the extensive work by the Wool Levy Review Group, established in 2012 after a remit to Beef + Lamb New Zealand's 2011 annual meeting called for an investigation into the effects of the discontinued levy. The Beef + Lamb directors supported a request to use the remaining wool levies to prepare a referendum proposal, with the Wool Levy Group established to run the referendum. The Wool Levy Group consisted of Mrs Faulkner, WRONZ chairman Derrick Milton, Federated Farmers national president Bruce Wills, Federated Farmers meat and fibre chairwoman Jeanette Maxwell, Primary Wool Co-operative director Hamish de Lautour, Cavalier Corporation chief executive Colin McKenzie and Wairere Rams principal Derek Daniell. The New Zealand wool industry, the world's third largest wool exporter is currently worth $700 million, with the average value of wool exports having risen 38 percent between 2010 and 2014.

Water

Nitrate limit 'tougher than for drinking water' [Business Day/ 23 May] Horticulture New Zealand president, Julian Raine highlighted that the Ruataniwha Board of Inquiry draft decision's nitrate limit in the Tukitui River is 14 times more stringent than the international drinking water standard, in order to highlight how difficult it would be for growers and orchardists to adhere to the limits. Mr Raine said that the initial assessment is that the limits set by the Board of Inquiry draft are likely to have a substantial impact on what crops can be grown in the region, with crops likely to be affected including potatoes, onions and green vegetables, as well as having a potential impact on the investments that large food companies make in the region. Mr Raine said that Horticulture New Zealand is also concerned about the river flow regime, which will not support low impact horticulture unless the dam proceeds, with growers and orchardists having to find other water supplies. Federated Farmers Hawke's Bay provincial president Will Foley said it was not sure if the limits were an absolute or a target to aspire to. He called on the Board to re-evaluate the evidence of experts such as Niwa and the Cawthron Institute, which had been ignored. Mr Foley said that sheep and beef farmers and horticulturists will breach their consents using their current farming methods regardless of whether the dam proceeds.

Dairy

Dairy boss picks industry evolution [21 May/ NZ Herald] In light of the outright acquisition of New Zealand dairy companies Sutton Group and Gardians by Danone, Synlait Milk Managing Director, John Penno said that the local industry has entered a new phase of evolution where manufacturers will get closer to their brands. Mr Penno said that this closer integration China's tighter regulations on infant formula manufacture. Synlait, which missed out on the May 1 deadline for registration for Chinese export due to its blending and canning line not being ready on time, expects registration to be approved in July. Mr Penno mentioned that the changes in the infant formula market has to be viewed in the context of a country whose markets and products are moving from being largely self-reliant to one of high importation. Formula in its finished product form accounts for approximately 5 percent of Synlait's volume, with the rest available to be added to infant formula or other adult nutritional products.

World dairy prices slip to 15-month low [21 May/ NZ Herald] The latest GlobalDairyTrade auction saw prices fall to a 15 month low, 23 percent lower than when the Fonterra forecasted a record milk payout. The GlobalDairyTrade price index declined 1.8 percent to USD 3,873 per tonne (from USD 3,950 per tonne two weeks prior), with 33,677 tonnes of product sold, down from 38,174 tonnes the previous auction (the lowest since June 2012). At the auction cheddar decreased 2.1 percent to USD 4,108 per tonne (lowest since March 2013), whole milk powder declined 1.1 percent to USD 3,877 per tonne (a 15 month low), skimmed milk powder declined 3.5 percent to USD 3,733 per tonne, butter declined 3.8 percent to USD 3,667 per tonne and butter milk powder declined 1.9 percent to USD 3,950 per tonne, while rennet casein increased 4.6 percent to USD 11,861 per tonne (a 4 month high) and anhydrous milk fat increased 1.9 percent to USD 4,255 per tonne, with milk protein concentrate and lactose not offered at the auction. Of the 734 qualified bidders (up from 724 last auction), there were 139 winning bidders out of the 193 participating at the auction, which consisted of over 14 rounds.

Fonterra seeking Chinese hub partners [21 May/ NZ Farmers Weekly] Fonterra is seeking strategic investment partners for its China farm venture, to achieve milk production of 1 billion litres per annum by 2020. It is likely that preferred partners will have relevant products or expertise and be resident or active in China's dairying, processing, logistics, and rural services sectors. The Co-operative is developing the second of the five planned farm hubs, each with capacity to house 15,000 cows in stalls and to be fed cut-and-carry grass and crops, with production expected to commence later in 2014. The first hub in Hebei Province is currently fully stocked and producing 150 million litres a year for premium liquid and cultured products sold in Beijing. China currently has a 10 billion litre fresh milk and dairy products gap between supply and demand, which is expected to increase to approximately 19 billion litres. Among problems faced by the local industry in the Chinese market are considerable differences in milk quality and products, regular outbreaks of foot and mouth disease in China, Mongolia and Tibet and the prevalent adulteration of liquid milk and milk powder issues. The Fonterra CEO, Theo Spierings, believes that New Zealand milk supply and growth will not be able to meet the needs of the Co-operative's dairy products, and hence overseas milk pools will be required.

Major cut to diary payout predicted [22 May/ NZ Farmers Weekly] Fonterra is expected to announce the 2014/15 season forecast on May 28. Waikato dairy farmers are expecting a drop from the record $8.65 per kilogram per milk solids this season to as little as $6 per kilogram, which would result in an average Waikato dairy farmer producing 115,211 kilograms of milk solids receiving $305,309 less than the $996,575 expectation this season. According to DairyNZ figures, there are 3,556 dairy farms in the region, meaning a drop to $6 will result in an estimated almost $1.1 billion decline to the regional economy. Federated Farmers national dairy board chair, Willy Leferink expects the dairy prices at the auction to rise from the current low as consumer demand remained high. He said that while the impacts from this summer's droughts are yet to be seen, the decline in global dairy prices also comes after Fonterra's botulism scare. Federated Farmers Waikato chairman, Chris Lewis, while highlighting the flow on impacts to the region's economy from a reduced payout said that a revised estimate of the milk price payout will not be popular with farmers. However, he mentioned that it will be another two or three months before farmers start notice the drop. ANZ chief economist, Cameron Bagrie dismissed the idea that scandals involving Fonterra had an impact on global dairy prices and said that the prices are still at high levels. He expects the next season's payout to be between the $6.50 and $7.00 range, but mentioned that it is unlikely to affect the consumer price of milk

Farmers called on to vote [22 May/ NZ Farmers Weekly] DairyNZ CEO, Tim Mackle said that as at May 20, only 28 percent of Taranaki dairy farmers had voted in the DairyNZ milk solids levy which seeks approval from farmers for the continuation of the 3.6 cents per kilogram of milk solids levy. Mr Mackle urged farmers to ensure they vote before the deadline of May 31. He mentioned that over 14,000 voter packs were sent to farmers on April 24. He said if insufficient votes are received, the services, value of DairyNZ and all its levy funded work for the industry, including research and development such as that conducted at the Westpac Taranaki Agricultural Research Station on feed efficiency conversion trial are at the risk of being lost. Mr Mackle said that higher votes will provide better standing with councils when working with Federated Farmers and Dairy Companies Association of New Zealand to obtain policy outcomes for farmers.

Review to expose farmers ripping off migrant labour [26 May/ NZ Herald] Federated Farmers dairy chairman, Willy Leferink, accepted that a review of the migrant labour force on dairy farms will reveal employment breaches, but believes that the number of farmers implicated will be low. Sharemilker and Filipino dairy workers advocate, Christina Tawatao said that she receives complaints from migrant workers regarding under payments and poor working conditions, but mentioned that these are often hard to prove as temporary workers do not want to risk their employment or immigration status. Figures indicated that 11,636 migrant dairy workers arrived in New Zealand between July 2008 and April 2014, with the majority coming from the Philippines. Welcoming the review, Ms Tawatao highlighted a range of issues including supply of wet weather gear and disputes over hours. Ministry of Business, Innovation and Employment labour inspectors began visiting farms in December to check on compliance with minimum employment rights. Results from initial visits indicated that 31 out of 44 farms were in breach of the law, with many breaches relating to time recording and proper contracts. Mr Leferink said that migrant employees were good workers, with strong support networks to protect their interests, but also mentioned that there were some offending employers. Although no prosecutions were laid, a Ministry spokeswoman confirmed that follow up visits will be made to ensure that enforcement notices were addressed, with non-complying farms at the risk of having orders issued by the Employment Relations Authority.

Red meat

Southland hopes Govt will act on meat industry [22 May/ Radio New Zealand Rural] Southland Regional Council Chair, Ali Timms met Primary Industries Minister, Nathan Guy to warn of the economic and environment fall-out that would ensue if the meat industry continues to decline. Ms Timms highlighted that Southland and other regions are already displaying a decline in fresh water quality and an increase in nitrogen levels as a result of dairying and dairy support forcing less intensive sheep farming onto more marginal land. Ms Timms said that the Mr Guy agreed that there are clear links between the Government's exports led growth strategy and the national policy statement for fresh water. She mentioned that she would like to see the two to three percent sheepmeat increase mentioned by Mr Guy for next season continue beyond next season in order to prevent conversion to dairy farming and 100 percent dairy grazing in Southland. She highlighted that unless the meat industry delivers a sustainable return, the Government's growth agenda and national water policy statement will be difficult to achieve. Mr Guy said that the Government's freshwater reforms are comprehensive and that it will make it easier for regional councils to manage water quality. He also stated that he is willing to listen if the meat industry is able to propose a coherent restructuring plan.

Deer

The world is venison's oyster [23 May/ NZ Farmers Weekly] As the industry works on positioning itself as a premium product and stretching the short European season, new markets for venison are being established in China, India and Sweden. Alliance Group marketing manager, John Rabbitt, stated that the company had received an export licence to China, and mentioned that the company will work with Chinese Grand Farms to develop a market specific product for China, while highlighting its medium to long term strategy of moving up the value chain. Silver Fern Farms marketing manager, Sharon Angus said that the company was also launching retail products in China using direct to retailer channels. Exporter, Mountain River Venison's, John Sadler, said that it will be challenging to command premium prices in China as consumers were not familiar with venison. This year, the niche marketer, Mountain River launched a range of frozen and chilled products in the Swedish retail market. To overcome the unreliable shipping service to Scandinavian countries, Mountain River has resorted to using a new air service offered by Emirates airline, with the additional shelf life and ordering flexibility making the high transport cost viable. Mr Sadler said that Scandinavia was not hindered by a traditional short gaming season in the rest of Europe. He mentioned that what is unknown in the all year round market is whether the preference will be for premium price chilled product or frozen. Mr Rabbitt also noted Alliance's intention to penetrate the Indian market by using cricket ambassadors to market the product,

Goat

Goat conference on in Queenstown [23 May/ Radio New Zealand Rural] Approximately 80 farmers from four separate goat groups (Mohair, Meat Goat, Boer Goat and New Zealand Goat) are expected to attend a three day conference in Queenstown, with the hope that dairy goat farmers will also attend the event. Boer Goat Breeders Association chair, Geoff Muggeridge while highlighting the need for the sector to work more collaboratively, said that there was a need to identify where producers are and seek resources to push the industry forward. Mr Muggeridge said that 136,000 goats were slaughtered last season, with 1,100 tonnes of goat meat valued at $6.5 million exported, with Reunion Island, Trinidad and Tobago being the main export markets.

Rural infrastructure

Elders Ltd to sell its Rural Holdings stake [23 May/ NZ Farmers Weekly] Following Australian parent company, Elders Ltd's announcement that it will be selling its 50 percent stake in New Zealand's Elders Rural Holdings. Elders Ltd is also selling its wholly owned JS Brooksbank wool trading business. The remaining 50 percent of Elders Rural Holdings is owned by Sredle Rural Services, in which Elders managing director, Stu Chapman is a significant shareholder. Elders Rural is a 50 percent shareholder in its joint venture with Primary Wool Co-operative, Elders Primary Wool (EPW's). Although Mr Chapman would not comment on whether Sredle would seek for complete ownership, he mentioned that it will be beneficial for New Zealand if the business was brought into Kiwi ownership. As the Primary Wool Co-operative had safeguard rights written into the Elders Primary Wool joint venture, Chairman, Bay de Lautour said that the Co-operative had no concerns with a possible change of control at Elders Rural. Just Shorn wool carpet brand Mr Chapman is hopeful Just Shorn's profile in New Zealand will change, with the brand scheduled to launch in Australia next month, along with plans to be brought to New Zealand in the near future. Mr Chapman said that carpet sales in the US have improved with a 10 to 15 percent monthly growth over the past few months, alongside current strong improvements in wool prices. The Just Shorn royalty was a 10 percent premium over the market price for the brand suppliers.

Environment and emissions

Mandatory rural recycling wanted [22 May/ Radio New Zealand Rural] The Environment Minister, Amy Adams has released a discussion document which raises the possibility of making voluntary stewardship schemes mandatory, with rural recycling organisation, Agrecovery chair, Graeme Peters saying that they would support the compulsory product stewardship scheme where the recycling of agrichemicals and farm plastics will be mandatory. Mr Peters said that while 60 chemical companies are currently participating in its scheme with some companies paying $0.12 per litre of chemicals for recycling and recovery, there are many companies, including some larger companies that are simply profiting this cost. However, Mr Peters also highlighted his concern of an expensive bureaucracy being created as a result. He mentioned that Agrecovery has recycled 650 tonnes of plastic in the last seven years and helped dispose 30 tonnes of unwanted or expired agrichemicals.

Biosecurity

Kiwifruit first in biosecurity partnership [21 May/ Rural News Group] Kiwifruit Vine Health and the Ministry for Primary Industries have entered into Government Industry Agreement (GTA) partnership that commits the parties into working together on preparing for priority pest and disease threats and on managing incursions. Ministry for Primary Industries Director General, Martyn Dunne said that Kiwifruit Vine Health was the first primary sector group to sign a GIA. While highlighting the benefits of working in partnership with the Government, Mr Dunne said that they are now able to maximise their collective capability to more effectively manage biosecurity risks. Mr Dune said that the GIAs will provide primary production industries a direct say in managing biosecurity risk, with joint decision making and parties working together on the most important priorities. Mr Dune expects other industry organisations to sign up to the GIA. He also mentioned the fact that the kiwifruit industry has had a role in the development of the GIA with representation on the joint working group that drafted the documentation. He said that it is also actively involved in the formation of an operational agreement for a fruit fly readiness and response programme, which addresses the management of specific pests or diseases and improving biosecurity outcomes.

Food safety

Pork industry not buying argument against labels [23 May/ Radio New Zealand Rural] The Food Safety Minister Nikki Kaye told the Primary Production select committee that the proposed amendment to the Food Bill making country of origin labelling mandatory would have resulted in an expensive and at times pointless system. Labour Primary Industries spokesperson Damien O'Connor's, proposed amendment was voted down narrowly. Ms Kaye said that although the Government is in favour of providing avenues for consumers to obtain more information, she disagrees that the only and most effective mode to achieve that is through mandatory labelling. New Zealand Pork CEO, Owen Symmans said the current labelling requirements are complicated and expensive, while failing to inform consumers as to where the food originates from. While mentioning the current complicated percentage labelling system, he expressed his belief that where a major or defining ingredient has been imported (perhaps over 50 percent of the product), it is appropriate that it is identified.

International

Authorities crack down on sales of fake seeds [21 May/ China Daily] According to vice-minister of agriculture, Yu Xinrong, Chinese authorities have seized over 10 million kilograms of fake and inferior seeds in the past three years. Mr Xinrong said that the Ministry will work with public security, industrial and commercial departments to crack down on the sale of inferior seeds. He said that the authorities will keep a close eye on the market as well as seed companies, and mentioned that those selling inferior seeds will be punished severely. He also mentioned that the Ministry will seek to establish a cultivation base in Hainan province and a corn seed research base in Gansu province. The Ministry said that the World Seeds Conference scheduled to be held in Beijing on May 21 has received 1,180 foreign delegate registrations. The export volume of China's seeds was valued at $300 million last year, with local companies having traded grain and vegetables seeds with 146 countries and regions. The Ministry expects to further increase trade with African and Central Asian countries. The head of the Ministry's Seeds Management Bureau, Zhang Yanqiu said that 15 percent of vegetables in China are grown using foreign seeds.

Organic farming will grow to $1bn industry [22 May/ The Australian] A new IBISWorld survey indicates that organic farming is a $655 million industry in Australia, with 12 percent per annum growth rate. Organic produce was also highlighted as a significant export earner (especially organic meat sold to the US with total exports valued at $66 million last year). IBISWorld analyst, Caroline Finch said sales of organic produce still only made up 1 percent of all income to farmers at the farmgate. The report predicts that organic farming will be a $1 billion industry by 2018. Ms Finch highlighted the benefits of the industry by stating that producers are able to command premium prices. She said that the Australian organic industry is driven by the supermarket's Coles and Woolworths, which sell 60 percent of all organic produce in Australia. She said that while large specialists and corporates have entered the market in order to take advantage of the prices that are one and a half to two times more than the non-organic counterparts, the number of organic farmers have not increased. Agricultural corporation Tandou's pastoral manager, Paul Martin said that the company's organic lamb was selling for $6.50 a kilogram, compared with the $6.00 a kilogram of non-organic lamb. The report further highlighted that Australia contains an estimated 12 million hectares of organic farmland, the largest in the world, with the majority of rangelands used for organic cattle production.

China lifts ban of US West Coast shellfish [24 May/ NZ Herald] According to officials, China has removed a five month long ban on the importation of live shellfish (clams, oysters, mussels and scallops) from Washington, Oregon, Alaska and Northern California, that was imposed based on the detection of high levels of inorganic arsenic in geoducks from Puget Sound, as well as paralytic shellfish poisoning in geoducks harvested in Alaska. US officials travelled to China in March to discuss the removal of the ban, as well as new methods for sampling, surveillance and monitoring of inorganic arsenic. Democratic Congressman from Washington, Derek Kilmer highlighted the importance of China to the region's shellfish and said that the removal of the ban means greater economic stability for the workers and families in the region. He also mentioned that he will be working closely with federal, state, local and tribal stakeholders to ensure that new testing and monitoring requirements are swiftly implemented. China also stated that it will send a team of food safety officials to the US to monitor shellfish testing. The US exported $68 million worth of geoduck clams in 2012, mostly from the State of Washington, which could command up to $50 per pound in 2012. Despite the ban, Washington shellfish had been exported to other Asian market, with Hong Kong and Vietnam being the two main destinations.

Agribusiness strategy

Call for medicinal marijuana in NZ [21 May/ Radio New Zealand Rural] Retired Massey University scientist and plant breeder, Mike Nichols said that both sick people and the economy would benefit if medical marijuana was allowed to be grown and sold. Mr Nichols said that apart from its pain relief effects, it also appears to have some useful characteristics for controlling problems associated with the central nervous system. He also mentioned that although New Zealand is behind the US in developing a medical marijuana market, South East Asia has the potential to be a future export market. Mr Nichols said that as a result of the conservative politics that blocked medicinal drug trials of opium poppies in Blenheim approximately 50 years ago, the industry moved to Tasmania, which now produces 50 percent of the World's morphine and codeine. A recent Health Select Committee report did not recommend any changes to the Government's current position on medical marijuana, while the Green Party believed that the Health Committee should have encouraged the police not to enforce the laws around cannabis cultivation and paraphernalia for sick people using the product.

Fieldays 2014

Theme recognises Fieldays' future success [24 May/ NZ Farmer] Fieldays CEO, Jon Calder said that the theme for the National Fieldays premier feature this year, 'Managing resources for a competitive advantage' recognises that the future success of New Zealand agriculture depends on the effective use of all resources, including human capital, natural assets and livestock. He mentioned the two fold view as being New Zealand's strength and capabilities in managing resources and an outlook of the future in terms of new innovations, new technology and new methods of resource management. The premier feature partners Xero and PGG Wrightson's star billing, in the Fieldays pavilion will be joined by approximately 40 other business experts, including experts in feed sources, nutrient management, animal health, workforce security, control, traceability, water management and innovative ways to source power. Xero head of rural strategy, Ben Richmond said that in connection with the premier feature theme, Xero will be releasing a farm-specific add-on for its cloud-accounting software at Fieldays. He mentioned that managing resources for farms extends to the running a farm as an efficient business. PGG Wrightson marketing manager, Shannon Galloway said that the theme is a cornerstone foundation of PGG Wrightson. Mr Calder said that in order to ensure that Fieldays is kept fresh each year, they engage with its two strategic partners, ANZ and the University of Waikato. He mentioned that the biggest challenge was ensuring the event is relevant and connected, which can only be achieved by adapting and changing with New Zealand agriculture and the primary sector. Mr Calder said that in order to keep Fieldays relevant and popular, a Fieldays advisory board has been established with 20 agribusiness leaders invited to provide future direction.

Economics and trade

NZ may lower sights on TPP [22 May/ NZ Farmers Weekly] Trade Minister, Tim Groser said that the Government might sign up to the Trans Pacific Partnership (TPP) even if it falls short of New Zealand's expectations of a total elimination of tariffs on agricultural exports, provided that the countries unwilling to agree to tariff eliminations guarantee that they intend to deliver a high quality deal by other means. The New Zealand ambitions of tariff eliminations are currently hindered by Japan's reluctance to remove barriers protecting its farmers in rice, wheat, beef and pork, dairy and sugar markets. In a deal criticised by other TPP members, including the US for compromising negotiations, Australia signed a deal with Japan, which only agreed to a modest reduction in tariffs in areas such as beef. With the US and Japan unable to agree on more substantial concessions, the TPP negotiations have come to a standstill. Mr Groser said that as a smaller player, it is possible that New Zealand could concede some of its bottom lines to obtain a deal that will be in New Zealand's best interests. Earlier in May, US President, Barack Obama and Japan's Prime Minister, Shinzo Abe called on other TPP countries to press on with their negotiations in light of a breakthrough between the US and Japan, while other partners have complained about a lack of information as to what has been agreed between the US and Japan. Mr Groser said that he will be travelling to Tokyo on the weekend ending May 25 to meet with Japan's TPP Minister, Akira Amari to discuss the offers Japan has already made to New Zealand on access to its dairy markets.

Trade surplus narrows in April on meat, dairy fall [26 May/ NZ Herald] Driven by dairy and meat exports, the New Zealand trade surplus narrowed more than expected in April to $534 million, from $935 million in March and $171 million a year earlier, according to Statistics New Zealand. Economists polled by Reuters had predicted a $667 million surplus with a $1.3 billion trade balance. The annual trade balance rose to a surplus of $1.19 billion (approximately 2.3 percent of exports), from a deficit of $687 million a year earlier. Exports declined 11 percent to $4.5 billion in April, resulting in an annual increase of 9.5 percent to $50.6 billion, while imports declined 4 percent to $4.96 billion, resulting in an annual increase of 5.3 percent to $49.4 billion. Milk powder, butter and cheese exports increased 36 percent to $1.22 billion in April from a year earlier, resulting in an annual increase of 33 percent to $15.2 billion. Westpac Senior Economist, Michael Gordon said that exports have commenced their normal seasonal decline, with declines driven by quantities rather than prices. Export of logs, wood and wood articles increased 31 percent to $363 million in April, resulting in an annual increase of 26 percent to $4.13 billion from a year earlier. Exports to New Zealand's biggest market, China, increased 38 percent to $895 million in April, resulting in an annual increase of 52 percent to $11.43 billion (23 percent of all exports). Imports from China increased 7.4 percent to $631 million in April, resulting in an annual increase of 8.5 percent to $8.4 billion. Exports to Australia increased 8 percent to $786 million, resulting in an annual decline of 6.5 percent to $9.09 billion, while exports to the US increased 16 percent to $371 million, resulting in a decline of 3.3 percent to $4.12 billion for the year.

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Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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